GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:4585
ANSWERED ON:12.08.2016
Sovereign Gold Bond
Puttaraju Shri C.S.

Will the Minister of FINANCE be pleased to state:

(a) whether the Government has decided to bring Sovereign Gold Bonds (SGBs) in various denominations with some fixed tenor and if so, the details thereof;

(b) whether these SGBs will earn some interest/benefit and if so, the details thereof;

(c) whether issuing SGBs restricted to the Resident Indians with some annual cap per person and if so, the annual cap thereon; and

(d) whether banks, Non-Banking Financial Companies and Post Offices are authorised to collect money on behalf of the Government and redeem bonds with loan to value ratio similar to that of gold loans and if so, the details thereof?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI ARJUN RAM MEGHWAL)

(a) The Sovereign Gold Bonds are issued by the Government and denominated in multiples of gram(s) of gold with a basic unit of 1 gram. The tenor of the Bond is for a period of 8 years with exit option from 5th year to be exercised on the interest payment dates.

(b) The bonds bear interest at a fixed rate of 2.75 per cent per annum payable semi-annually on the initial investment.

(c) The Bonds are restricted for sale to resident Indian entities including individuals, HUFs, Trusts, Universities and Charitable Institutions. The maximum amount subscribed by an entity will not be more than 500 grams per person per fiscal year (April-March).

(d) Bonds are sold through Banks, Stock Holding Corporation of India Limited (SHCIL), designated post offices and recognised stock exchanges viz. National Stock Exchange of India Limited and Bombay Stock Exchange, either directly or through agents.

The redemption price will be in Indian Rupees based on previous week's (Monday-Friday) simple average of closing price of gold of 999 purity as published by India Bullion and Jewellers Association (IBJA). The Bonds can be used as collateral for loans and the loan-to-value (LTV) ratio will be set equal to ordinary gold loan mandated by the Reserve Bank from time to time.
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